Copper's Win Streak Hits Seven Days

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Copper prices have been running up their largest gains in years, with the market watching China for stimulus moves that might jump-start economic activity and renew demand for the industrial metal.

The most actively traded copper contract, for July delivery, ended higher for a seventh straight trading session Friday, its longest winning streak since December 2013, and has gained 9.9% over the stretch.

Copper is used in the manufacturing of everything from housing to personal electronics, and China's rapid expansion and heavy investment in infrastructure has made it the world's largest copper consumer, accounting for 40% of global demand. Copper is also viewed as a key barometer—and beneficiary—of economic growth, and any uptick in Chinese economic activity is viewed as a bullish driver for the market.

China has been aggressively maneuvering to keep its economy humming as it cools down from years of double-digit growth. That has lead to measures such as the one last month to cut the reserve-requirement ratio, allowing banks to lend more money and potentially spur growth.

On Friday, the April reading on China's official purchasing managers index came in at 50.1, unchanged from March and slightly above market expectations of 50.0. A reading above 50.0 indicates expansion, while any number below that signals contraction.

"This is a Chinese story," said John Payne, senior market analyst with futures brokerage Daniels Trading in Chicago. "The more negative the data is out of China, the more it's a bullish indicator [for copper], because of expectations" for additional efforts to pump up the economy, he said.

The July contract for copper rose 1.5% on Friday to close at $2.9295 a pound on the Comex division of the New York Mercantile Exchange.

There are other factors at work as well. U.S. manufacturing data continued to signal expansion, although at lower-than-expected levels, and the number of disruptions to copper mining activity has been on the uptick this year, interfering with supplies, Barclays said in a note. Chilean producer Antofagasta PLC cut its full-year copper output forecast by 2.1% because of lost production from protests at its flagship Los Pelambres mine and heavy rainfall in Chile's Atacama desert where three of its mines are located.
The rally has its skeptics, too. Some analysts note that Chinese demand for physical copper has remained weak, with imports down 21% in the first quarter from a year earlier, as the country already has large stockpiles.

In addition, “many key copper-using sectors remain under pressure,” Bank of America Merrill Lynch said in a note. While Chinese government support for the economy is urgently needed, “it will in our view merely dampen the slowdown.”

And others said the market’s weakness over the past year and volatility could bring it under pressure again.

“This is copper,” said Charles Nedoss, senior market strategist at brokerage LaSalle Futures in Chicago. “You’re one report away from it turning right back around.”

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